

1 April 1968

Mr. Bannerman:

Attached is the IG Survey of Finance
and some related papers.

Miriam

MR. COFFEY HAS ANOTHER
"HEARING" AT 1:30

M.

STAT

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Next 1 Page(s) In Document Exempt

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Mr. Boffey

We should not forward
this paper - maintain it
"in-house" for our use.

While I agree with much
that is said there is a
shade of difference - a
report of this nature will
only cause reactions
& rebuttals.



10 Feb 68

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Inspector General Report of Survey of the Office of Finance

DD / S

FILE

FROM:

Director of Finance
1212 Key Building

EXTENSION

NO.

DATE

24 JAN 1968

25X1

TO: (Officer designation, room number, and building)

DATE

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

1. DD/S
ATTN: Mr. Coffey
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24 JAN 1968

MEMORANDUM FOR: Deputy Director for Support

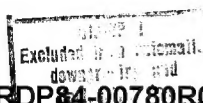
SUBJECT : Inspector General Report of Survey of the
Office of Finance

1. In accordance with your instruction to the Director of Finance of 18 January 1968, there are submitted herewith proposed replies to the Subject Report relating to Recommendations 4, 5, 6, 9, 10, 13, and 14 and Tabs A, B, and C pertaining thereto.

2. The Director of Finance is very much concerned with the tone of the Report and the numerous statements throughout the Report which are either confusing, or statements of opinion, as distinguished from statements of fact. Therefore, Attachment A lists and comments separately on some of these statements.

3. It is a fact that the Office of Finance does have problems with respect to broadening the base and increasing the viability and flexibility of its career service so that it may plan and implement its rotational program in a more orderly manner and assume a posture of readiness to meet unplanned emergency requirements. The Director of Finance accepts these facts without question and would welcome any positive suggestions or assistance for correcting these deficiencies. The Director of Finance rejects completely the IG Report's allegations or inferences that these conditions are the result of poor management, philosophy, personal rigidity, perpetuation of a pattern of narrow skills, poor promotion practices, lack of creativity, etc., etc. The truth of the matter is that the flexibility and skills available to perform finance and accounting functions have been adversely affected by: (a) the drain off of some of our best Finance Officers into PPB, DD/S&T, and the various DD/P Operating Divisions to perform essentially budget functions, and the drain off of a large number of our best officers to meet unplanned "emergency" requirements in Southeast Asia, (b) the necessity of absorbing and re-treading a number of Budget Officers who had limited finance and accounting skills, (c) the steadily decreasing resources allocated to the Office of Finance as contrasted with the

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ever increasing workload, (d) the failure of the Agency recruitment system to supply entirely satisfactorily the recruitment requirements either through the CT Program or direct recruitment, (e) the failure to get approval for a higher grade structure that would enable the Office of Finance to recruit new replacements or compete with the Budget Service and others to prevent drain off of key employees, and (f) the decrease in flexibility due to problems common to the Agency as a whole, such as age and health problems, technological changes necessitating different and more sophisticated skills, etc., etc.

4. At the time of the breakup of the old Comptroller unit in 1963 there existed a vigorous direct recruitment program for young professional Finance Officers, a 30-man development complement, and a large number of Finance Officers of high flexibility, ability, and excellent potential. By contrast, some of the employees engaged in budget functions were less flexible, possessed lower potential, and in many instances, were unskilled or inexperienced in accounting and finance operations, as contrasted with budget operations. The Chief, PPB received authority for an increased T/O and an increase in the level of grades for Budget Officers. This, plus the direction to build a strong viable program and budget system, gave the Chief, PPB the leverage he needed to effect the assignment of key Finance Officers to budget functions and the transfer of a number of Budget Officers with limited accounting and finance skills to the Office of Finance for retraining and assignment to finance duties. No criticism of the Chief, PPB is intended by the above statement. It is simply that he had the leverage to improve the quality of the persons performing budget functions and used it. The Director of Finance tried to get authority to increase grades to a competitive level and an increased T/O to recruit replacements and was not successful. The fact that there has been a steady drain of manpower from accounting and financial duties to budget duties, DD/S&T, and SIPS is easily provable. We do not maintain that this should not have been done. As a matter of fact, recognizing this as being in the best interests of the Agency, we have fully cooperated in giving some of our best personnel to these activities. We must, however, point out that this action is part of the cause of some of our present difficulties.

5. The Director of Finance attempted to compensate for this drain of skilled manpower and flexibility by increased input either through the CT Program or by direct recruitment, and by increased training

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of the available manpower. Only eight employees have been assigned to the Office of Finance through the CT Program and only four of these have evidenced any serious intent to remain in finance work. Recruitment in the lower grades has been slow but at this point is satisfactory. However, the Office of Personnel recruiters have been unable, to date, to turn up suitable candidates for middle level finance jobs.

6. The above outlines how the Office of Finance got where it is. But how well were the available resources managed? Despite the decreases in resources allocated, the skills drain, and an increasing workload, the Office of Finance has:

- a. Continued all essential financial services on a current basis,
- b. Made major improvements in accounting systems procedures and reports,
- c. Achieved major improvements in efficiency and productivity,
- d. Initiated systems studies, now in progress, designed to effect further improvements,
- e. Supplied skilled manpower to staff Area Divisions and overseas finance positions, including crash emergency requirements in Southeast Asia.

7. The Director of Finance feels strongly that the foregoing statement, and attachments, should be made a matter of official record and utilized in replying to the IG Report.

[Redacted Signature Box]

/ R. H. FUCHS
Director of Finance

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Attachment A

COMMENTS ON SPECIFIC QUOTES FROM IG REPORT

The Director of Finance feels that some of the statements, inferences, and innuendoes in the IG Report present a distorted picture of the Director of Finance and employees of the Office. Several such statements are, therefore, quoted and commented on below:

1. "For whatever reason the Director of Finance is excluded from matters that should be of proper concern to him." (Page 1 of Summary)

The inference appears to be that the Director of Finance complained of deliberate exclusion from matters of concern to him. Actually this subject was discussed in the context that geographic location of the Office of Finance created time and distance problems which sometimes excluded the Director of Finance as well as other officers in the Office of Finance from matters of concern to them and increased the difficulty of carrying on close working level coordination.

2. "He does very little in the way of Financial Analysis." (Page 1 of Summary)

The Office of Finance does a great deal in the way of financial analysis as is demonstrated by the listing of financial analysis activities submitted with this memorandum. (See Tab 1 to this attachment.) The reporters' definition of financial analysis as described on Page 4 of the body of the Report "analyze costs or cost effectiveness, to judge validity of expenditures (as opposed to mere legality) or to contribute to the preparation of budgets (other than his own office)" is clearly a PPB and not an Office of Finance responsibility. There is no confusion on the part of the Director of Finance on this point. Page 6 of the Report refers to these responsibilities as "the bridge between financial operations and program planning" and calls them "financial analysis." The whole subject of the Office of Finance mission was handled by the reporters in a most ambiguous and confusing manner.

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3. "It is not an Office in which change comes easily nor in which creativity is encouraged." (Page 1 of Summary)

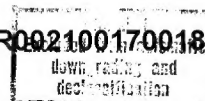
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This may be an opinion of someone or more than one, but it is opinion and not a fact. Office of Finance over many years has made impressive progress with regard to the constant creation of improvements in methods and techniques and with regard to system simplifications and new approaches. A review of the annual reports of accomplishments of the Office of Finance will serve to contradict the IG statement. Also, to further support the incorrectness of this statement, there is submitted herewith a listing of some of the improvements created by Office of Finance personnel in the last four years. The references to the Suggestion Awards Program on Page 10 as illustrative of our being non-creative are not a proper measure since most ideas created by Office of Finance personnel, of which there are many, are an integral part of the job responsibilities of the creator, or are the result of group action, and are not eligible for and are not submitted by the creator for award. Also the statement on Page 11, "The establishment of the Covert Tax and Allowance Committees, the concept of commuted travel, and the decentralization of certification procedures, which were widely viewed within the Agency as decided improvements, were initially resisted by the Office of Finance," is a distortion of fact and is an unfair presentation as a support to the statement that the Office of Finance is uncreative. The issues raised by the Office of Finance on these matters pertained to legality, and proper methods and procedures, not concept.

4. "The Career Service is now populated with an unduly large number of persons with narrow skills and limited utility and the trend in the Service appears to be toward perpetuation of that pattern." (Page 2 of Summary)

The SF Career Service T/O provides for a large number of clerical personnel. It is true that many of this type personnel have limited skills. The Office of Finance also has some officers of limited skills. There are also some persons in the SF Career Service who have limited flexibility due to health or family problems. However, the statement that this pattern is being perpetuated is entirely erroneous. The fact that the Office of Finance is taking positive efforts to upgrade the skills and flexibility of its employees can be easily ascertained from a review of the Personnel Recruitment Requests, the memorandums requesting assignment of CT's and the memorandum dated 28 November 1967 to the DD/S which lists by individual name the recruitment input during the past 18 months. The record on this will support this contention both with regard to recruitment and with regard to rotation. We have requested, and would like to obtain, 10 to 15 CT's each year but have only obtained

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8, only 4 of which have expressed any positive interest in remaining in finance work. Also, we have taken every advantage of training facilities available to us to broaden the new personnel as well as the old, and have utilized rotation extensively as a means of broadening skills and experience.

5. "We believe that more emphasis should be placed on obtaining young officers with broadly based aptitudes and interests who may be groomed for positions of management and leadership." (Page 3 of Summary)

The Director of Finance also believes that we should obtain more young officers with broadly based aptitudes and interests in finance work.

The inference appears to be, however, that education majors in accounting and finance, and accounting and finance experience, does not constitute "broadly based" qualifications for general finance or general management responsibilities. If this inference was intended, it would appear to be disproved by the fact that:

- a. Many persons in key positions in the Finance Career Service are good managers and many key officers in the DD/S Admin. Service have been drawn from the Finance Career Service.
- b. An increasing number of top officials in industry have accounting and finance backgrounds.
- c. We understand that accounting majors are the second most sought after, (engineers are first), category of personnel graduating from universities.

The Director of Finance believes most emphatically that recruitment for the Finance Career Service should focus on acquiring the best finance and accounting skills possible, coupled with flexibility and a broadly based interest in finance work. He is convinced that such recruitment will produce the management skills as well as the technical skills required to insure that financial activities of the Agency are performed in a competent and professional manner.

6. "We cannot see position classification as anything but a short-range palliative for long-range ills arising from Finance's philosophy of methods of personnel management." (Page 3 of Summary)

The reporters never discussed with the Director of Finance or his Deputy what their philosophy of management is and, therefore, whatever the reporters think it is, must have been obtained elsewhere, and since it is not clearly stated what that philosophy is supposed to be, it is difficult to address ourselves to the above statement. However, there is an inference in the body of the Report that we engage in unfair promotion practices, do not leave persons long enough in one position, and are frequently slow in replacing persons rotated elsewhere. It may be that this is what the reporters believe to be our philosophy of management. If so, it is entirely erroneous. It is true that we have persons who deserve promotion whom we have been unable to promote because of headroom and T/O limitations. It is not true that we do not strive diligently to promote the best and most deserving employees. It is certainly not our philosophy to move persons in and out of positions abruptly and not replace them as soon as possible! As in all career services the Southeast Asia and other emergency requirements, coupled with limited ceiling and no development complement, have necessitated moving persons about more than planned; and we are not able to fill holes or vacancies as fast as we would like to. These actions represent our sincere efforts to be responsive to the needs of the Service and utilize the limited resources available to respond to ever increasing priority requirements; they do not represent our "philosophy of management."

7. "It is looked upon as an Office that has stood still while the Agency as a whole has moved forward. Many of the officers who began in Finance and have since gone on to other jobs tend to view transfer more as a means of escape than as advancement." (Pages 2 and 3 of Report)

The Director of Finance has participated for over 16 years in the determination of transfers of individuals from the Office of Finance to other Services mostly the Support Career Service, and in every instance they have been asked for by the receiving Service because of their ability and the opportunity to give them advancement. In the majority of instances, the Director of Finance has talked to each such individual personally, and they have never expressed the view that leaving was an escape. As a matter of fact, most of them have been reluctant to leave,

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and apparently did so because the grade structure in the Office of Finance did not offer them the same opportunity they could receive elsewhere. The Director of Finance is well aware of a very few that the Office of Finance was glad to be rid of, and these persons could very well like to think that they escaped. However, the others would have to fall in the category of complete prevaricators and/or hypocrites if the Director of Finance were to believe (which he does not) the statement that many officers left as an escape. The statement that "the Office of Finance has stood still while the Agency as a whole has moved forward," is obviously a statement of opinion. I do not believe facts can be produced to support such an opinion.

8. "The Director of Finance does not involve himself aggressively in financial management issues outside the narrow field of accounting--- in areas such as process and systems improvement, covert funding, evaluation of current techniques, studies of cost effectiveness, and generation of reports useful to management in program evaluation."
(Page 4 of Report)

The record does not support this statement. The Office of Finance is now and has always been heavily engaged in process and systems improvement. Covert funding is one of the Office of Finance's major functions and those persons engaged in this activity have been complimented many times for their aggressiveness and usefulness in this field of activity. Also, the Office of Finance is heavily engaged in evaluation of financial methods and techniques; and the Office of Finance, together with SIPS, the Office of Computer Services, and PPB are working diligently to generate the best financial reports possible for the use of management and PPB in connection with program evaluation. Studies of cost effectiveness are indeed the primary responsibility of PPB, and it is only in very special instances that the Office of Finance is appropriately required to enter into cost effectiveness studies. Suggestions for improvement in these fields would be helpful; but the statement, as made by the reporters, is vague, off target, and of no help whatsoever.

9. "Management of the Office of Finance is highly centralized, markedly conservative, and quite rigid. Finance is not an Office in which change comes easily nor in which creativity is encouraged." (Page 10 of Report)

Management of the Office of Finance is highly centralized, but the Report offers no constructive suggestion other than perhaps to upgrade the Support Officer. The Director of Finance believes the material that

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follows the above statement in an effort to support the contention of rigidity and uncreativity is inaccurate or invalid.

For instance, the last two sentences of paragraph 1. a. on Page 10 are good examples of the lack of depth that the reporters went into their subject and the manner in which they irresponsibly make a statement. The two sentences are, "Suggestions for simplified Time and Attendance procedures, for example, were made in 1956 but had not been acted upon as of 6 July 1967, eleven years later. The reason given in response to our query was, "This involves a regulation change." The Director of Finance reviewed this suggestion and found that it was referred to the GAO for consideration and was rejected by the GAO. It is for this reason that the proposal in 1956 has not been adopted as of today. Yet the reporters have presented this as supporting their allegation of rigidity and lack of creativity.

10. "The establishment of the Covert Tax and Allowance Committees, the concept of commuted travel, and the decentralization of certification procedures, which are widely viewed within the Agency as decided improvements, were initially resisted by the Office of Finance." (Page 11 of Report)

This statement is also supposed to support the reporters' contention of rigidity and uncreativity. The statement, however, is again one of opinion, not fact. As soon as the Office of Finance was assured that Internal Revenue did not object to the adoption of a flat tax rate, the Office of Finance did not resist the concept or idea but only attempted to influence the adoption of sound procedures and reasonable tolerances within the system. Commuted travel is not a new or creative idea or approach to the payment for travel. Commuted travel payments were made for years by the Defense Department, but were discontinued for economy reasons. The Agency General Counsel has ruled that payment of commuted travel from vouchered funds is not legal. Moreover, the Congress refused to authorize the Department of State to adopt commuted travel procedures. In view of these facts, the Office of Finance attempted to insure that the DD/S obtained all of the facts necessary to fully evaluate the propriety of adopting a long tried method which GAO eliminated. Once the Agency decided to adopt commuted travel under unvouchered funds and the Director's certification, the Office of Finance has diligently attempted to assist in the implementation of such a commuted rate system. With regard to decentralization of certification

functions, the idea to decentralize certifying functions originated with the Office of Finance. The Director of Finance did, and wisely so we believe, slow down certain of his officers who wished to adopt a "crash" approach to solve this problem until a proper study was made of those things that should be decentralized as contrasted with those that should not, and to establish proper controls and implementing procedures.

The Director of Finance would be quite surprised if the DD/S, and other senior officials did not want him and his Office to approach such things as the tax proposal, commuted travel, and decentralization of certification functions in a manner that would insure that they are sound, and legal, however "popular" the proposal might be. As a matter of fact, the statutes are quite specific respecting the responsibility of certifying officers, custodians of funds, and principal accounting officers for fully disclosing all pertinent facts pertaining to illegal, improper, or unreasonable payments; and they may be held pecuniarily liable if they fail to do so.

The use of this statement by the reporters as a prime example of rigidity and uncreativity can only be viewed by the Director of Finance as immature or irresponsible.

11. "The four senior officers of the Director have 130 years of Government service among them and an average age of 56 years. They are solidly experienced in financial operations. Not unnaturally they tend to stick to methods they have used and with which they are thoroughly familiar." (Page 11 of Report)

It is a fact that the senior officers of the Office of Finance have had a vast amount of experience in financial operations both in and outside of the Agency. The statement that these officers tend to stick to methods they have used and with which they are familiar is an opinion of the reporters. The facts concerning new methods and innovations devised by these officers tend to refute this blanket statement.

12. "What we do urge is that the man best qualified for advancement be the one who is promoted, regardless of the position he may occupy at the time." (Page 15 of Report)

The inference in this statement is that the Office of Finance does not follow a system that promotes the most deserving persons. As a matter of fact, the Office of Finance goes to great lengths to assure that

the proper person or persons are promoted. The Office of Finance does try to keep as near as practicable the grade of the individual and the grade of the position the same, and the Director of Finance submits that so do all other career services, and he also submits that if this gets materially out of line in any career service they are in deep trouble. But the inference in this part of the Report that an Office of Finance employee "is not considered for promotion unless his grade is lower than that of the position he occupies" is a mis-statement of fact; and, if the reporters had discussed this with the Director of Finance, he could have easily shown them that this is not a correct statement.

Recommendation No. 4

The Director of Finance, in consultation with the Director of Training, has established either within the Office of Finance or the Office of Training, a scheduled or tutorial training course designed specifically to qualify a Finance careerist to serve as finance officer of a Class A field station.

Action or Comment

I have directed the Director of Finance and the Director of Training to establish a facility within the Office of Training for the training of finance officers in the operation of the Class A accounting system. A simulated "dummy" Class A system will be established, and utilized by the Office of Finance careerist now assigned to OTR, for training finance officers on a tutorial or scheduled course basis as required.

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Recommendation No. 5

The Director of Finance assemble initially and maintain on a continuing basis information on the retirement expectations of all Finance careerists who are nearing the zone of eligibility for optional retirement, making it clear to the employees concerned that the information is needed for orderly personnel planning and not as a means of exerting pressure upon employees to retire earlier than expected under existing Agency policy.

Action or Comment

It is believed that this recommendation is unrealistic and impractical. Employees who have the legal option of retiring at a date earlier than the mandatory date established by Agency policy will not willingly relinquish their option, and would tend to regard attempts to persuade them to fix a positive retirement date as a form of pressure to deprive them of their option.

The Office of Finance does maintain complete records, including age profile charts, etc., of employees eligible for optional retirement. All Office of Finance employees have been asked informally to apprise O/F, for planning purposes, as early as possible when they have definite retirement plans, and a number have responded. The Office of Finance has also counseled a number of marginal employees, or employees with special problems, concerning early retirement, and has in a number of cases persuaded them that it was in their best interests to exercise their early retirement option.

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Recommendation No. 6

The Deputy Director for Support require to be submitted to him for review of and decision between the proposal of the Director of Finance for reclassification and certain positions in the Finance Career Service and the objections of the Director of Personnel to that proposal.

Action or Comment

A comprehensive review of the classification of all positions within the Office of Finance will be made concurrent with the reorganization of the Office as proposed in Tab C.

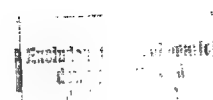
I have directed the Executive Officer to the DD/S to review the classification of all finance positions outside the Office of Finance to:

Insure that the pattern and standards used in the classification of such positions is sufficiently viable to permit the orderly planning and rotation of finance employees.

Ascertain that the procedures for reclassifying positions upward or downward is objectively, expeditiously, and consistently applied.

Resolve any disputes between the Director of Finance and the Director of Personnel on this subject.

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Recommendation No. 9

The Director of Finance:

- a. Assign to his Chief of Support responsibility, subject to review and concurrence by the Deputy Director of Finance, for planning and administering the rotational program of the Finance Career Service and for supervising those other aspects of personnel management that are commonly delegated to a Chief of Support.
- b. Establish the position of Personnel Officer within the Office of Finance.
- c. Request the Director of Personnel to furnish a Personnel Specialist to fill the position.

Action or Comment

- a. This responsibility has been delegated to the Chief of Support. Due to a series of circumstances that resulted in four separate Chiefs of Support occupying this position during the past two years, implementation has not been as effective as is desired. I have asked the Director of Finance to give a written delegation of authority to the Chief of Support so that there can be no possibility of misunderstanding on this point.
- b. & c. These recommendations will be considered and appropriate action taken in conjunction with the reorganization of the Office of Finance as outlined in Tab C.

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Recommendation No. 10

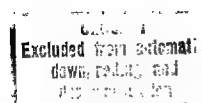
The Deputy Director for Support hire on a one-time contract basis a systems expert or experts qualified to make a time, motion, and systems improvement study on the processing of financial transactions and the keeping of financial records within the Agency.

Action or Comment

I do not concur in this recommendation. The Agency possesses the in-house capability to conduct systems improvement studies, and such studies have been and are being conducted. Tab A lists for your information some of the systems major studies and resultant financial systems improvements which have been made in recent years. Tab B lists some of the major studies now in progress by the Office of Finance and SIPS. The Office of Finance and SIPS have flow charted, or are now in process of charting, every process and transaction performed by the Office of Finance, and its interface with similar processes performed in the Offices of Logistics and Personnel and other Agency components. These charts are being analyzed to determine the essentiality of the data produced, the efficiency of the processing steps, and the best method of organizing and programming the data under the SIPS Program to produce useful management information, at the lowest possible cost.

In my opinion the hiring of an outside firm to repeat such studies would be disruptive and counter-productive.

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Recommendation No. 13

- a. Direct the Chief, Compensation and Tax Division, to initiate investment action whenever surplus funds exceed \$250,000.
- b. Expedite the issuance of the Office of Finance Instruction prescribing procedures for administration of the fund.
- c. Arrange for an actuarial valuation of the fund with the advice and assistance of Mr. Cedric W. Kroll of the Department of Treasury.
- d. Investigate the feasibility of making secure arrangements with the Department of Treasury for a Special Issue for the CIA fund and report his findings and recommendations to the Executive Director-Comptroller.
- e. Prepare an interim investment program for the guidance of Monetary Division based on the Fiscal Year 1967 15-year Projection of Fund Activity.
- f. Prepare a long-range investment program based upon the actuarial valuation recommended in c. above.

Action or Comment

- a. The Chief, Compensation and Tax Division has been directed to institute a request for investment action whenever cash available for investment reaches a level of \$250,000.
- b. The Office of Finance Instructions prescribing procedures is in final draft and being circulated for appropriate coordination.
- c. A proposal computer method, based on an extraction of personnel statistical data, has been proposed by Mr. Kroll to provide data necessary to institute an actuarial study. This proposal has been submitted to the Office of Computer Services for their consideration and, in addition, a SF careerist has been assigned to the Support Information Processing Staff to work toward final implementation of a system providing necessary statistical information.

Recommendation No. 13 (Continued)

Action or Comment

- d. I have requested the Director of Finance, after appropriate coordination with the Office of Security and the Central Cover Staff, DD/P, to discuss with appropriate officials in the Department of Treasury whether it is feasible to establish a Special Issue for the CIA fund that will meet our security standards. Results will be reported to the Executive Director-Comptroller as recommended.
- e. The Monetary Division will be provided with an interim, investment guide based on a projected estimate of fund activity, which anticipates the fund to be self-sustaining until 1980. This investment guide provides for the balanced growth of the portfolio weighted toward issues maturing 1980 or later.
- f. A long-range investment program will be devised consistent with the findings of the actuarial study mentioned in paragraph c. above.

Recommendation No. 14

The Deputy Director for Support instruct the Directors of Finance and Personnel to devise, with the advice and assistance of the Support Information Processing Staff, a single computer program capable of providing all of the statistical information needed for administration of participants in and annuitants of the CIA retirement system.

Action or Comment

As mentioned in paragraph 13.c., necessary action has been initiated for a computer program that will provide necessary statistical information required for the actuarial study required by statute. The Chief, SIPS has been requested to give this task appropriate priority to insure that it is completed on a timely basis.

TAB A

MAJOR FINANCIAL SYSTEMS IMPROVEMENTS

FY 1964/FY 1968

1. Converted Vouchered Fund Accounting Procedures to the Computer - 1 July 1963

The vouchered fund accounting system (Fiscal Division) up to 1 July 1963 was accomplished by bookkeeping machines plus numerous manual records. The conversion was accomplished through development of procedures and techniques for processing transactions by computer generally similar to procedures already on the computer for confidential funds transactions.

2. Computerized Obligation Status Report - 1 July 1963

The Obligation Status Report was established on the computer at the same time the vouchered funds general ledger was mechanized. Detail obligations were recorded prior to 1 July 1963 by bookkeeping machines by FAN Number, however, a manual subsidiary ledger was maintained to indicate the object class. Adjustments to obligations were posted to the bookkeeping machine with a manual "look up" and adjustment made to the object class record. The new system provided for a code on the expenditure document wherein the computer would liquidate the obligation and make any adjustments necessary.

3. Consolidated Fiscal and Confidential Funds Divisions - 1 July 1964

The consolidation of these two divisions resulted in (1) greater flexibility in use of personnel, (2) more uniformity and efficiency in the preparation, submission and processing of documents, (3) improved control and administration, and (4) reduction in files and reference materiel, and (5) savings in senior supervisory personnel.

4. Decentralized Certifying Authority to Major Operating Components at Headquarters - 1 July 1964

Certifying authority was given to certain senior SF Career (Finance) employees in major operating components (DDP and Office of Communications). This action was to enhance the service to the components, by placing the certifying officer close to the operating personnel. Vouchers could be finalized much easier and faster by this decentralization of authority.

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TAB A

5. Established Financial Analysis Numbering System - 1 July 1964

The FAN System permits obligation and expenditure data to be used for 2 major purposes. The data is used for allotment control purposes, then this data can be used to prepare management reports corresponding with budget planned use. Under the old numbering system it would require 30 to 40 digits to serve the same purpose. The FAN System not only reduced the number of digits required to be cited on documents from 12 digits to 8 digits but gave the Agency a very flexible data potential for a broad assortment of financial reports for management. The reduction of digits from 12 to 8 reduced manpower effort in citing the 8 digits rather than 12 digits on countless numbers of documents, financial records and reports on a worldwide basis. Likewise, the reduction of digits reduced the error potential in the manual recording of the number on documents and records as well as on key punch inputs to the computer system.

6. Developed Authorities Status Report - 1 July 1965

Beginning 1 July 1965 one allotment was issued to cover both vouchered and confidential funds. However, the FAN Number (cost pocket) for each project or activity continued to distinguish between covert and overt transactions. The single allotment system abolished the practice of issuing separate allotments for vouchered and confidential funds and effected a reduction in accounting and budgetary controls which resulted in an estimated 40 percent reduction in paper work connected with the issuing and adjustment of allotments. The Status of Property Authorization was added to this report as of 1 July 1965. Through the issuance of this revised report the allottee was able to see for the first time the status of his allotted authority on one report.

7. Computerized Obligation Status Report for Confidential Funds Obligations - 1 July 1965

Prior to 1 July 1965 the detail obligation records were manually maintained by each component with all adjustments between obligations and related expenditure likewise calculated by allottee and manually posted. Effective 1 July 1965 for FY 1966 the detail obligations were placed on computer and by appropriate liquidation code on expenditure transactions, the adjustments are accomplished by the computer.

8. Developed Program Status Reports - 1 July 1965

- (a) Report "A" - This is a basic summary management report made possible through use of the FAN System techniques. This report is by FAN Number, by office, by country, by program,

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TAB A

category and sub-category. Prior to 1 July 1965 this type of arrangement of data was manually tabulated. This report reflects the budget planned amount, cumulative obligations, cumulative property encumbrances and balance of budget planned amount.

- (b) Report "B" - This report is a summary of data reflected in Report "A", except it is by office, by country, by program, by category and sub-category. This data prior to 1 July 1965 was manually tabulated.
- (c) Report "C" - This report is a summary of basic data except it is by major component, by country, by program, category and sub-category. Again this summarization was done manually prior to 1 July 1965.

NOTE: The FAN System will permit numerous other arrangements and tabulations of the above financial data.

9. Simplified Procedures for Processing FEDSTRIP/MILSTRIP Invoices - December 1966

In cooperation with the Office of Logistics, arrangements were made for that Office to discontinue sending receiving reports to the Office of Finance for materiel ordered and received under the FEDSTRIP/MILSTRIP system. The Office of Finance processes billings upon receipt and has established audit routines to confirm receipt of items for which payment has been made under appropriate control techniques through a selective review of documentation held in the Office of Logistics. This has resulted in a substantial reduction in document handling in both the Office of Finance and the Office of Logistics.

10. Single Fund Accounting System (consolidation of vouchered and confidential funds systems) - 1 July 1967

The Single Fund System provides one accounting and reporting system for the Agency in lieu of two systems, increases the flexibility of personnel, uniform procedures for preparation, submission and processing of documents - one series of financial reports in lieu of two and savings of over 100 general ledger accounts. The account numbering system permits computer prepared condensed financial statements formerly manually prepared. The system also provides for a mechanically prepared schedule of expenditures requiring the Director's certification on a quarterly time table as opposed to the monthly manually prepared schedule formerly used in support of the certification.

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TAB B

MAJOR IMPROVEMENT OBJECTIVES NOW UNDER STUDY

1. Recordation of Costs on Accrual Basis

2. Simplify Budget and Accounting Procedures for Billings by Other Government Agencies for Transportation of Agency Cargo

A staff study has resulted in the conclusion that present procedures can be substantially simplified through:

- (a) Accomplishing financial audit of billings by a systems review (selective spot check verification that services have been received) instead of by a line item audit.
- (b) Establishment of a single allotment in the Office of Logistics for the numerous FAN accounts maintained throughout the Agency (36 components).

3. Mechanize Civil Service Retirement Record, S. F. 2806

In coordination with the Civil Service Commission develop a format for computer maintained S. F. 2806 record which will satisfy CSC requirements.

4. Mechanize Confidential Funds Leave Records

Develop procedures for input to a computer maintained leave record.

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TAB B

5. Print U. S. Savings Bonds by Computer

Complete program of having payee's name, etc. printed on U. S. Savings Bonds by computer.

6. Mechanize CIA Retirement Fund General Ledger

Develop procedures for maintaining these accounts by computer.

NOTE: Pertinent subsidiary accounts are currently maintained on computer.

7. Computerize CIA Annuitant Monthly Payments

Develop procedures for issuance of checks by computer techniques.

8. Establish Computer Data Banks

Work closely with SIPS in the establishment of "Data Banks" within the computer in order that transactions may be interfaced with various other related operations. Conceptually it is the objective to require data common to several transactions to be entered in the system only one time.

9. Mechanize Property Authorization Control Record (Detail)

Develop computer procedures for the recordation and liquidation of encumbrances.

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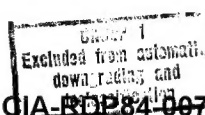
Tab C

REORGANIZATION OF THE OFFICE OF FINANCE

After reviewing the IG Report and discussion of the various recommendations with the Director of Finance, we have decided that a realignment of functions and a reorganization of the Office of Finance will be undertaken as a means of implementing some of the recommendations in your report. The purpose of the reorganization will be to establish a more viable and efficient organizational structure to carry out the financial mission. More specifically we intend to:

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- a. Strengthen the capability to perform systems analysis, and internal audit, especially in relation to decentralized activities, overseas activities, and the SIPS Program. (Rec. Nos. 1, 10, and 11)
 - b. Combine some of the functions of the Certification & Liaison Division and the Accounts Division in an effort to avoid dual paper handling and fragmentation of responsibilities. (Rec. No. 10)
 - c. Structure the accounting functions to insure a capability to:
(1) implement, to such extent as may be required, an "accrual accounting system" recently established by Bureau of the Budget Circular A-11, dated 18 December 1967, and (2) provide close interface with the records and processes of PPB, the Logistics Property System, the SIPS System, and the Computer Service Center. (Rec. No. 10)
 - d. Make definite provision for a strong Support Unit with the functional responsibility for planning and administering the rotational program and other aspects of administration and personnel management normally delegated to a Chief of Support. (Rec. Nos. 2, 3, 4, and 9)
 - e. Make definite provisions in the organizational structure for a Development Complement, or some similar mechanism to facilitate recruitment, training, rotation, and a capability to respond to unplanned "emergency" requirements. (Rec. Nos. 2, 7, and 9)

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f. Realign certain functions and responsibilities pertaining to inter-agency liaison and the processing of inter-agency financial transactions in an effort to relieve the Assistant Director of Finance for Liaison of certain detailed functions and provide for more expeditious and economical processing of transactions and data pertaining to inter-agency financial activities. (Rec. No. 11)

g. Fix definite responsibility for administering the CIARD System. (Rec. Nos. 13 and 14)

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